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DEPTO. ESTADO

INDEPENDENT AUDITORS' REPORT ON BALANCE SHEET FILED WITH THE DEPARTMENT OF STATE

To the Stockholder of
Carrión, Laffitte & Casellas, Inc.:

Report on the Financial Statement

We have audited the accompanying financial statements of Carrión, Laffitte & Casellas, Inc. (the "Company") (a wholly-owned subsidiary of Hub International Limited) which comprise the balance sheet as of December 31, 2013 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Stockholder of
Carrión, Laffitte & Casellas, Inc.
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Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Carrión, Laffitte & Casellas, Inc. as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended solely for the information and use of the Company's management and the Department of State of Puerto Rico responsible for the administration of the annual reports and is not intended to be and should not be used by anyone other than these specified parties.

We certify that none of our shareholders is a shareholder or employee of the above Company.

BDO Puerto Rico, P.S.C.

San Juan, Puerto Rico

March 21, 2014

By: Fernando Scherer
License No. 2881

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COLEGIO DE CONTADORES PUBLICOS AUTORIZADOS DE PUERTO RICO
$5.00

BDO PUERTO RICO, P.S.C.
Certified Public Accountants
Puerto Rico
License No. 53

License No. 53
Expires December 1, 2015

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CARRIÓN, LAFFITTE & CASELLAS, INC.

Balance Sheet

December 31, 2013

Assets

Current Assets:		
Cash	$	4,059,099
Trust cash		36,772
Accounts and other receivable		3,324,523
Deferred income tax assets		158,813
Due from affiliate		385
Prepaid expenses		45,199
Total Current Assets		7,624,791
Deferred income tax assets		634,732
Goodwill		14,603,326
Intangible assets, net		16,003,422
Property and equipment, net		252,423
Total Assets	$	39,118,694

Liabilities and Stockholders' Equity

Current Liabilities:		
Accounts payable and accrued liabilities	$	2,717,369
Income taxes payable		170,452
Due to parent company		665,188
Total Current Liabilities		3,553,009
Other liabilities		8,878
Total Liabilities		3,561,887
Stockholder's Equity:		
Common stock, $1 par value. 1,000 shares authorized; 1,000 shares issued and outstanding		1,000
Additional paid-in capital		34,754,590
Retained earnings		801,217
Total Stockholder's Equity		35,556,807
Total Liabilities and Stockholder's Equity	$	39,118,694

See accompanying notes to financial statements.

CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

(1) Organization and Summary of Significant Accounting Policies

Organization

Carrión, Laffitte & Casellas, Inc. (the "Company") was organized under the laws of the Commonwealth of Puerto Rico on December 24, 2003. The Company provides insurance brokerage and risk management services in Puerto Rico.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the company management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from use estimates.

Trust cash

Trust cash is defined as funds collected from clients and insurance carriers that are held in a fiduciary capacity for the future payment of fiduciary liabilities. Fiduciary liabilities primarily represent premiums due to carriers and return premiums due to clients. The payment of fiduciary liabilities is generally governed by the contractual terms contained in broker-carrier agreements and regulations within the states in which we operate. The Company invests trust cash balances in non-interest bearing accounts.

Accounts and Other Receivable

In its capacity as an insurance broker, the Company may collect premiums from clients and, after deducting commissions, remit those premiums to the respective insurance carrier. The Company may also collect claims or premium refunds from insurance carriers on behalf of clients. Uncollected premiums from clients are recorded as accounts receivable on the balance sheet.

As required by law and various contractual obligations, unremitted insurance premiums and claims are held in a fiduciary capacity as trust cash. The obligation to remit these funds is recorded as accounts payable on the balance sheet. The period for which the Company holds these funds is generally dependent upon the time between the date the client remits the payment to us and the date we are contractually required to forward such payment to the insurance carrier.

Accounts and other receivable are recorded at net realizable value. An allowance for possible cancellations is the Company's best estimate of the amount of probable cancellations in the Company's existing accounts receivable.

Income Taxes

The Company recognizes deferred income tax assets and liabilities based upon the expected future income tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases by applying statutory income tax rates expected to be in effect when the asset or liability is settled. The carrying amount of deferred income tax assets, including the expected future benefit of operating loss carry forwards, is reduced by a valuation allowance if it is more likely than not that some portion of the deferred income tax asset will not be realized. If applicable, we record interest and penalties related to unrecognized tax benefits within the provision for income taxes in statement of earnings.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided by the use of the straight-line method using estimated useful lives of the respective asset.

Goodwill

Goodwill represents the excess of cost over fair value of identifiable net assets acquired through business acquisitions. Goodwill is not amortized, but instead is reviewed for impairment on at least an annual basis by applying a fair-value-based test. In evaluating the recoverability of the carrying value of goodwill the Company determines if an indicator of goodwill impairment exists by comparing the carrying value of the reporting units with the estimated fair value. If the Company determines that an indicator of goodwill impairment exists, the Company quantifies the actual goodwill impairment charge, if any, by comparing the carrying value of goodwill to its estimated fair value, based on the fair value of the reporting unit's assets and liabilities as of the impairment test date. No such loss was incurred during the year ended December 31, 2013.

Long-lived Assets

Long-lived assets, such as property and equipment, and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Events or circumstances that would result in an impairment review primarily include operating losses, a significant change in the use of an asset, or the planned disposal or sale of the asset. The asset would be considered impaired when the future net

undiscounted cash flows generated by the asset are less than its carrying value. An impairment loss would be recognized based on the amount by which the carrying value of the asset exceeds its fair value. No such loss was incurred during the year ended December 31, 2013.

Revenue Recognition

The Company's revenue is primarily derived from commissions collected from insurance carriers or agencies with whom insurance policies are placed on behalf of our clients.

Commission Income. Revenue recognition for commission income is primarily based on the billing arrangement for the underlying client policy. The Company has two primary types of billing arrangements: (1) agency billed commissions and (2) direct billed commissions.

Agency Bill Commissions. In an agency bill arrangement, the Company is responsible for billing and collecting premiums and fees due from clients for insurance policies. The Company generally bill clients on or before the effective date. The Company subsequently remits client premiums, net of commission income earned, to the applicable insurance carrier or agency. The Company recognizes commission income on agency bill arrangements upon the placement of insurance, which generally coincides with the effective date of the policy unless at that time we are unable to reasonably determine the actual policy premium. In these circumstances, the Company defers the recognition of commission income until we are able to reasonably determine the amount of commission earned on the policy, which generally occurs on the date that the client is billed for the policy.

Direct Bill Commissions. In a direct bill arrangement, the client is billed by the insurance carrier or agency directly for any premiums and fees related to the policy. The Company is subsequently paid the commission by the insurance carrier or agency for the brokerage services. Accordingly, we do not bill or collect premiums or fees directly from clients. The Company recognizes commission income on direct bill arrangements upon the placement of insurance with an insurance carrier or agency, which generally coincides with the effective date of the policy, unless it is unable to reasonably determine the amount of the commission earned on the policy. In which case commission income related to the policy is recognized when information becomes available and the revenue can reasonably be determined.

The Company is entitled to commission income for a policy as of its effective date as our earnings process is substantially complete, because we have performed all contracted services for the clients and substantially all of the related costs to produce, market, and place the coverage have been incurred. In addition, as of the effective date, we become entitled to the commission because the insurance coverage has been placed with the insurance carrier and the premium is owed by the client.

CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

Subsequent changes to commission income, including, but not limited to those related to changes in commission rates, are recognized during the period that they occur.

The Company also recognizes co-broker commission expense concurrent with the recognition of the related commission income. Co-broker commission expense represents amounts paid by us to third-party insurance brokers who provide us referral and assistance with clients. During the year ended December 31, 2013, co-broker commission expense amounted to $1,927,644.

Consulting Fees. Consulting fees are recognized as revenue based on the arrangements in place with the consulting client. Consulting fees are recorded when the services are performed and the amounts are reasonably estimable.

Subsequent Events

Management evaluated subsequent events through March 21, 2014 the date the Company's financial statements were available to be issued. Based on this evaluation, the Company has determined that no subsequent events have occurred which require adjustment or disclosure in these financial statements.

(2) Acquisition of Bixler & Associates, Inc.

On November 21, 2013, the Company entered into an Asset Purchase Agreement with Bixler & Associates, Inc. ("Bixler") and its shareholders, for the acquisition of the then business and certain operating assets. Bixler is an insurance brokerage providing a broad array of property, casualty, risk management, life and health products, and employee benefits in Puerto Rico.

The Company has accounted for the business acquisition of Bixler using the acquisition method, whereby the results of operations are included in the Company's financial results from the date of acquisition going forward. In connection with the business acquisition, the Company allocated the total purchase price to the estimated fair values of acquired tangible and intangible assets. No liabilities were assumed by the Company as of the date of the acquisition. The Company determined the fair value of acquired tangible and intangible assets and assumed liabilities using various valuation methods, including, but not limited to, net realizable values, quoted market prices, and discounted cash flows.

In connection with acquisition of Bixler, the Company entered into an agreement with the former shareholders of Bixler, which included certain management personnel that continue their employment with the Company, and to pay consideration that is contingent on maintaining or achieving specified financial performance measures in future periods. The Company recorded such contingent consideration as part of the total purchase price at fair value based on management's best estimate of the future earnout payment as of the acquisition date. When the contingency is earned, the consideration is paid. The agreement further provides for the withholding of certain escrow and reserve amounts relating to particular contingencies. The accompanying financial statements include the obligation resulting from the earnout and escrow/reserve provisions of the Asset Purchase Agreement. Such liability amounting to $485,000 is recognized in Accounts Payable and Accrued Liabilities.

The Company recorded the purchase price allocations of the estimated fair values of acquired tangible and intangible assets as of the date of the acquisition as follows:

Accounts and other receivable	$ 34,359
Intangible asset – customer relationships	834,000
Goodwill	484,741
Net assets acquired	$1,353,100

(3) Accounts and Other Receivable, Net

Accounts and other receivable, net are composed of the following at December 31, 2013:

Direct bill receivable	$3,129,465
Agency bill receivable	449,087
Consulting fee receivable	149,959
Other receivable	3,224
	3,731,735
Less: allowance for policy cancellations	407,212
Accounts receivable, net	$3,324,523

CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

(4) Property and Equipment, Net

A detail of property and equipment, net as of December 31, 2013 is as follows:

	Useful life (yrs)	Cost	Accumulated Depreciation and Amortization	Net Book Value
Furniture and fixtures	4-7	$153,720	$36,457	$117,263
Equipment	3-5	119,177	48,581	70,596
Leasehold improvement	1-3	105,138	40,574	64,564
Software	1-3	4,875	4,875	-
		$382,910	$130,487	$252,423

(5) Intangible Assets, Net

Intangible assets, net as of December 31, 2013 consist of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$17,080,000	$3,369,328	$13,710,672
Non-compete agreements	2,103,000	525,750	1,577,250
Trade name	954,000	238,500	715,500
Intangible assets, net	$20,137,000	$4,133,578	$16,003,422

Amortization expense of each class of intangible assets during the year ended December 31, 2013 is as follows:

Customer relationships	$2,459,182
Non-compete covenants	420,600
Trade name	190,800
Intangible amortization expense	$3,070,582

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CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

Estimated total future amortization expense of intangible assets is as follows:

Year Ending December 31,	
2014	$ 2,956,986
2015	2,581,776
2016	2,201,160
2017	1,738,660
2018	1,139,650
Thereafter	5,385,190
	$16,003,422

Customer Relationships. The Company utilizes an accelerated amortization methodology for its customer relationship asset. The accelerated amortization methodology aligns the amortization of customer relationship asset with the accelerated pattern of consumption of the expected benefits derived from client relationships existing as of the date of the acquisition. The Company amortizes customer relationship assets over a maximum of 16 years. The determination of the useful life for customer relationship asset is based upon the estimate of the timeframe over which the acquired customer relationship is expected to contribute directly or indirectly to the future cash flows of the Company.

Non-compete Covenants. The Company amortizes non-compete covenant assets on a straight-line basis over the estimated useful life of 5 years. The estimated useful life generally includes, for each applicable employee who is subject to a non-competition covenant, (1) his or her effective term of employment plus (2) a contractually determined period, which typically ranges from one year to three years, after his or her employment is terminated. Upon the employee's termination, we amortize the net book value of the related non-competition covenant on a straight-line basis over the applicable contractual period.

Tradename. The Company specifically identified tradename intangible assets subject to amortization. Tradename is amortized on a straight-line basis over the applicable estimated useful life of 5 years.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2013 are as follows:

Accounts payable	$ 45,338
Due to former stockholders	7,121
Deferred consideration (note 2)	485,000
Due to producers	609,600
Due to insurance companies	490,385
Termination agreement payable	534,126
Deferred income	1,309
Accrued expenses	544,490
	$2,717,369

The Company, on September 30, 2012, entered into a Termination by Mutual Consent, Indemnity and Settlement Agreement with the Chairman of the Board of Directors. Under the terms of this agreement the parties agree to early terminate the terms of the Chairman's employment agreement in consideration for a payment of $1,068,252 in two annual installments of $534,126 each, payable on January 1, 2013 and 2014. The January 1, 2013 installment was paid directly by Hub and recorded by the Company as a capital contribution. As of December 31, 2013, the Company has recognized in Accounts Payable and Accrued Liabilities the January 1, 2014 installment of $534,126.

(7) Income Taxes

The Company is subject to income taxes in Puerto Rico, which range from 20% to 39% depending on the level of taxable income. The following table sets forth components of provision for income taxes during the year ended December 31, 2013:

Current income taxes	$920,453
Deferred income taxes	(587,075)
Provision for income taxes	$333,378

The following table presents a reconciliation of expected income taxes to the actual provision for income taxes during the year ended December 31, 2013:

Expected income taxes	$283,599
Non-deductible expenses	141,345
Effect of progressive tax rates	(20,250)
Effect of change in tax rates	(61,941)
Other	(9,375)
Provision for income taxes	$333,378

The components of deferred income tax assets and liabilities at December 31, 2013 are as follows:

Deferred tax assets:	
Allowance for policy cancellations	$ 158,813
Intangible assets	979,327
Deferred rent	3,462
Net capital loss carry forward	17,257
Deferred tax assets – gross	1,158,859
Valuation allowance	(17,257)
Deferred tax assets – net	1,141,602
Deferred tax liability - Goodwill	(348,057)
Net deferred tax assets	$ 793,545

CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

The Company evaluates its deferred income tax assets to determine if they may be realized. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or the entire balance of the deferred income tax assets will not be realized. In making such assessment, significant weight is given to evidence that can be objectively verified, including both positive and negative evidence. Consideration must be given to all sources of taxable income available to realize the deferred tax assets, including the future reversal of existing temporary differences, future taxable income exclusive of the reversal of temporary differences and carry forwards, taxable income in carry back years, and tax planning strategies. The determination of a valuation allowance requires judgment based on the weight of all available evidence and considering the relative impact of negative and positive evidence. As a result, the Company has recognized a valuation allowance as of December 31, 2013 of $17,257 resulting from the net capital loss carry forward arising from the transfer in 2012 of its investment in CLC Risk Services, Inc. There has been no change in the valuation allowance during the year ended December 31, 2013.

As of December 31, 2013, the Company had $115,050 in net capital loss carry forward which are available through 2017 to offset future net capital gains.

The Company has no unrecognized income tax benefits or provisions due to uncertain income tax positions.

The Company's income tax return is subject to audit by the Puerto Rico Department of Treasury. Audit periods remain open for review until the statute of limitations has passed. The statute of limitations under the Puerto Rico Internal Revenue Code is four years in which the Company's income tax returns 2009-2012 remain open. The completion of an audit by the taxing authorities or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to results of operations for any given year based, in part upon the results of operations for the given year.

On June 30, 2013, the Puerto Rico Governor enacted law Act 40, known as the Tax Burden Redistribution and Adjustment Act ("TBRAA"), as one of the laws conforming the budget for the general fund of the Government of Puerto Rico for fiscal year 2013-2014. TBRAA provides for significant amendments to the Puerto Rico Internal Revenue Code of 2011, as amended (the "Code"), including but not limited to: (i) a maximum corporate tax rate reestablished to 39% and the surtax credit reduced from $750,000 to $25,000; (ii) a nonrefundable special withholding tax of 1.50% imposed on all payments made to service providers of the Commonwealth of P.R.; (iii) a National volume of business tax ranging from 0.2% to 0.85% depending on level of gross income; (iv) an increase to the alternative minimum tax ("AMT") from 20% to 30%, subject to other changes in the formula to determine the AMT; and (v) 49% of any expense paid or incurred to a related party, as defined in the Code, may be deducted if such payment is not subject to tax in P.R. in the year it is paid or incurred.

In addition, On December 25, 2013, the Governor of Puerto Rico signed into law, House Bill 1524 ("Act 163-2013"), known as the "Act of Effective Mechanisms for Tax Fiscalization" (the "Act"), with the purpose of facilitating fiscalization by the taxing agencies, and among other amendments, the law modifies the financial statements content and filing requirements for income, personal property, and volume of business tax purposes. The provisions of the Act were effective upon approval of the Act, except with respect to the new supplemental information required for the audited financial statements to be filed with the income tax return, which are effective for taxable years commencing after December 31, 2012, with the exception of certain supplemental information for income tax purposes, as postponed by the Puerto Rico Treasury Department issued Administrative Determinations.

(8) Operating Leases

The Company conducts their operations from leased premises. The leases are classified as an operating lease. Rent expense related to leased premises and other property for the year ended December 31, 2013 amounted to $507,419.

Future annual rental commitments related to the leased premises and other property are as follows:

Year Ending December 31,	
2014	$436,869
2015	82,463
2016	11,167
	$530,499

The Company recognizes rent expense based on a straight-line method over the lease term. The difference between the amount paid and the rent expense is recorded as deferred rent. As of December 31, 2013 the Company had recorded $8,878 in deferred rent and is included in Other Long-Term Liabilities in the accompanying Balance Sheet.

(9) Retirement Plan

The Company has Section 1081.01 (formerly Section 1165(e)) profit sharing plan covering substantially all employees meeting certain minimum eligibility requirements. Participants may make salary deferral contributions to the Plan up to $15,000 the limit as established in the Puerto Rico Internal Revenue Code Section 1081.01; whereas, the profit sharing contribution is determined solely at management's discretion. Employer contributions are 100% vested after 3 years of service. Retirement plan expense during the year ended December 31, 2013 amounted to $88,546 and is included in Compensation Expense in the accompanying Statement of Earnings.

(10) Related Party Transactions

On October 2, 2013, Hub was acquired by funds advised by Hellman & Friedman LLC, a leading private equity firm. This buyout transaction has been accounted by Hub for using the acquisition method. However, any adjustments resulting from the purchase price allocations of the estimated fair values of acquired tangible and intangible assets and liabilities assumed have not been recorded in the accompanying financial statements of the Company.

Hub charges a management fee to reimburse them for certain corporate expense incurred for the benefit of the Company. Such management fee, which included in Selling, Occupancy and Administrative Expenses in the accompanying Statement of Earnings, is based on a stated percentage of commission and fees and amounted to $635,707 during the year ended December 31, 2013.

Hub is obligated under a Senior Secured Credit Agreement with a syndicate of institutional lenders and financial institutions. This credit agreement is collateralized, among other instruments, with a portion of the outstanding shares of the Company.

CARRIÓN, LAFFITTE & CASELLAS, INC.

Notes to Financial Statements

December 31, 2013

(11) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, and accounts and other receivables. The Company maintains a policy providing for the diversification of cash and places its cash in a number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are generally limited due to the large number of clients and markets in which the Company does business.

The Company attempts to limit concentration of credit risk due to cash in bank accounts, however its deposit balances may, at times, exceed federally insured limits of $250,000. The Company has not experienced any losses on such accounts.

(12) Contingencies

The Company is party to litigation and other claims arising from the ordinary course of business. The Company is vigorously defending itself from these claims. Management believes that the final disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.